

ORIGINAL

Stephen W. Feingold (SF 2763)
Richard H. Brown (RB 5858)
PITNEY, HARDIN, KIPP & SZUCH LLP
685 Third Avenue
New York, New York 10017-4024
Telephone: (212) 297-5800

Gary R. Goodheart, Esq.
Nevada Bar #1203
JONES VARGAS
3773 Howard Hughes Parkway, Third Floor South
Las Vegas, Nevada 89109
Telephone: (702) 862-3300
Facsimile: (702) 737-7705

Attorneys for Plaintiff
Caesars World, Inc. and Park Place
Entertainment Corporation

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEVADA

CAESARS WORLD, INC. and PARK PLACE
ENTERTAINMENT CORPORATION,

Plaintiffs,

v.

CYRUS MILANIAN and THE NEW LAS
VEGAS DEVELOPMENT COMPANY, LLC,

Defendants.

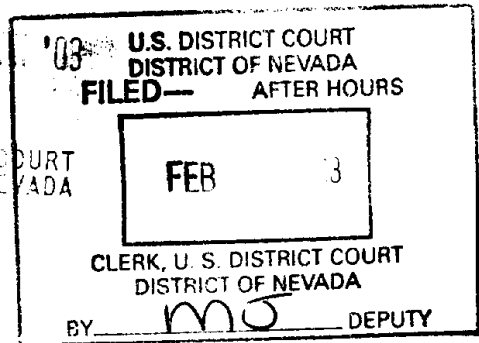
Case No. CV-S-02-1287-RLH (RJJ)

PLAINTIFFS' MEMORANDUM OF
LAW RESPECTING ATTORNEYS'
FEES AND DAMAGES

INTRODUCTION and STATEMENT OF FACTS

As requested by the Court, plaintiffs Caesars World, Inc. ("CWT") and Park Place Entertainment Corporation ("PPE") submit this memorandum of law on the issues of attorneys' fees, costs, and damages.¹ As discussed below, plaintiffs easily meet the criteria for recovering

¹ Plaintiffs have entered into a settlement with the corporate defendant, The New Las Vegas Development Co., LLC ("NLVD"). Plaintiffs are submitting a Stipulation and Order dismissing the claims against NLVD with prejudice. Plaintiffs seek attorneys' fees and costs against Milanian, but do not seek any compensatory damages.



attorneys' fees and costs against defendant Cyrus Milanian under plaintiffs' claims for violation of both the Lanham Act and Nevada common law. Plaintiffs are entitled to attorneys fees as a prevailing party under Section 35 of the Lanham Act because this matter is an "exceptional case." Plaintiffs are also entitled to recover fees and costs under their unfair competition claims under Nevada common law because Milanian's conduct was willful and calculated to trade upon the goodwill of plaintiffs.²

Although the facts are fully set forth in plaintiffs' proposed Findings of Fact and Conclusions of Law, plaintiffs discuss herein certain facts related to the attorneys fees issue. The evidence established that Milanian had engaged in "trademark squatting," *i.e.*, attempting to reserve trademarks for sale to others. (See Tr. 310). Milanian filed more than 155 trademark applications, the vast majority of which were on an intent to use ("ITU") basis. (Tr. 295-96). Milanian did not file those applications because he had a *bona fide* intent to use the marks, but to reserve them to sell to others. (See, *e.g.*, Tr. 352-53; Ex. 486). That conduct is antithetical to the goal of the Lanham Act, which does not countenance the warehousing of trademarks for the purpose of selling them to another. See 15 U.S.C. § 1127. Having embarked on his scheme, Milanian then sought to leverage those trademark applications in his dealings with Cunard Lines and the promoters of a San Francisco-theme casino. (Tr. 311-12).

Milanian tried the same gambit with plaintiffs, notwithstanding their longstanding, widespread use of registered and common law marks related to a Roman-Grecian theme, including Caesars Palace, Colosseum, and the Empire. CWI's use of the Colosseum and Caesars Palace marks dates from August 1966. (Tr. 54-60). On April 10, 2001, plaintiffs announced that they would build a new Colosseum showroom at Caesars Palace in Las Vegas ("The Colosseum"). (Tr. 295). Less than two weeks after that announcement, Milanian filed the first of four intent-to-use applications for a mark with the word "Colosseum." (*Id.*) Not coincidentally, Milanian applied for a mark with the same (less common) spelling of

² Plaintiffs will submit an affidavit of fees and costs for claims under the Lanham Act and Nevada unfair competition law. Plaintiffs will, of course, deduct from those amounts, any award by the Court for fees and costs incurred as a result of Milanian's failure to appear for deposition, which is the subject of a separate application.

1 "Colosseum" used by plaintiffs for their mark. (Ex. 154). Milanian also filed applications for
2 registrations involving the term "Empire," notwithstanding plaintiffs' longstanding use of that
3 mark. (Ex. 156, 159). Milanian made no effort to contact plaintiffs for more than a year after
4 filing the April 2001 application for Colosseum.

5 In May 2002, plaintiffs announced publicly for the first time that The Colosseum would
6 open in March 2003, with Celine Dion appearing in a long-running engagement. (Tr. 292). On
7 June 1, 2002, shortly after that announcement, Milanian called PPE's offices, demanding (in an
8 abusive manner) to speak with its CEO or another senior officer, and claiming that PPE was
9 infringing Milanian's rights. (Tr. 289-90). Ten days later, representatives from plaintiffs held a
10 conference call with Milanian and his then-counsel, during which they advised Milanian of their
11 longstanding rights and requested that he abandon his trademark applications. (Tr. 315-16).
12 Between the June 1 and June 11 calls, Milanian filed two additional intent to use applications for
13 "Colosseum," including one for gaming machines and interactive devices. (Exs. 155, 158).

14 Despite plaintiffs' efforts over the subsequent months to convince Milanian of their
15 longstanding rights in the Colosseum mark, Milanian refused to abandon his ITU applications or
16 acknowledge that plaintiffs had superior rights. (Tr. 325). With Milanian still claiming rights,
17 plaintiffs had no choice but to file this suit. (Tr. 324). Thereafter, Milanian filed an answer that
18 denied liability, claimed that plaintiffs did not have rights in the Colosseum mark, and asserted,
19 among other things, contractual rights in the marks. Milanian's first attorney withdrew in
20 December 2002, and Milanian failed to appear for deposition on January 13, 2003. His proffered
21 excuse for not attending the deposition was patently inadequate, and Milanian was barred from
22 testifying at trial.

23 At the trial in this matter, Milanian continued to contest liability on all of plaintiffs'
24 claims, but he submitted nothing to rebut plaintiffs' showing that: (a) they had longstanding
25 rights in the marks at issue; (b) Milanian had no basis to claim trademark rights in plaintiffs'
26 marks; (c) Milanian filed many applications without either prior trademark use or a *bona fide*
27 intent to use the mark in commerce; (d) Milanian sought to traffic in the trademarks; and (e)
28

1 Milanian displayed plaintiffs' trademarks on a website that he used for the purpose of selling the
2 trademarks or rights in such marks.

3 **ARGUMENT**

4 **The Court Should Award Attorneys Fees To Plaintiffs Under Section 35(a) of the Lanham** 5 **Act**

6 Section 35(a) of the Lanham Act provides that a court may award attorneys fees to the
7 prevailing party in "exceptional cases." Because prevailing parties are entitled to recover for
8 claims under Section 43(a), one who holds common law trademark rights is entitled to recover
9 fees. At trial, defendants' counsel suggested that plaintiffs may not recover attorneys' fees
10 associated with marks because they did not affix a registration mark ("®"). That argument is
11 both wrong and irrelevant. It is wrong because the registration notice provision [Section 1111 of
12 the Lanham Act] does not provide any limits on the recovery of attorney fees. As a well-known
13 commentator stated, "the failure to give statutory [n]otice of federal registration does not limit
14 the recovery of attorney fees to the prevailing party in an appropriate case." 5 J. Thomas
15 McCarthy, *Trademarks and Unfair Competition*, §30:89; see *Schroeder v. Lotito*, 747 F.2d 801,
16 802 (1st Cir. 1984). Defendants' argument is irrelevant because plaintiffs' rights in the
17 Colosseum and Empire marks arise from common law use, and Section 1111 obviously pertains
18 only to registered marks.

19 Thus, the only question is whether this is an "exceptional case," which is a requirement
20 met in cases where infringement is "malicious, fraudulent, deliberate or willful." See, e.g., *Lindy*
21 *Pen Co., Inc. v. Bic Pen Corp.*, 982 F.2d 1400, 1410-11 (9th Cir. 1993). The "exceptional cases"
22 requirement is also satisfied where the court finds that claims with respect to trademark rights are
23 either "groundless, unreasonable, vexatious, or pursued in bad faith." *Cairns v. Franklin Mint*
24 *Co.*, 292 F.3d 1139 (9th Cir. 2002) (citing *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 881
25 (9th Cir. 1999) (quotation omitted)). The fact that CWI and PPE are declaratory judgment
26 plaintiffs in this case does not change the analysis. Irrespective of whether the party seeking the
27 fees is a plaintiff or defendants, the issue is whether the claims or defenses were "groundless,"
28

1 “unreasonable,” or maintained “in bad faith” so as to meet the “exceptional cases” requirement.
2 *See Stephen W. Boney, Inc. v. Boney Services, Inc.*, 127 F.3d 821, 827 (9th Cir. 1997).

3 Here, the evidence established clearly that Milanian’s claim to rights in the Colosseum
4 and Empire marks was groundless and unreasonable, and that his conduct was willful, bad faith.
5 His pattern or practice was to file bogus intent-to-use applications for marks, and attempt to sell
6 or license the “rights” in the marks. He continued that practice in his applications for the
7 Colosseum and Empire marks, as evident from the fact he filed some of those applications
8 shortly after PPE announced the construction and opening of The Colosseum. Having submitted
9 those Colosseum and Empire applications in bad faith, Milanian then engaged in conduct whose
10 timing was fully consistent with his goal to put pressure on plaintiffs before the opening of The
11 Colosseum in March 2003 in the hopes of extracting a favorable settlement. The timing of
12 Milanian’s June 1, 2002 call and his unwillingness to respond to plaintiffs’ request to abandon
13 the applications, all prove that point. As a result of Milanian’s threats, plaintiffs were forced to
14 file a declaratory judgment action in October 2002 to have their rights vindicated as quickly as
15 possible.

16 Milanian then attempted to delay the trial of this matter and failed to attend a deposition,
17 all the while continuing to display “Colosseum” and “Empire” on his website. His efforts to
18 delay and the “legal positions” submitted by him are further proof that his case was utterly
19 meritless. For example, notwithstanding his demanding, abusive June 1 telephone call to PPE,
20 Milanian argued in his “summary judgment” brief that plaintiffs’ use of the Colosseum mark was
21 generic, and therefore could not possibly infringe any alleged rights he had in the marks. If that
22 was his position, then why did he telephone PPE’s offices on June 1, 2002, demand to speak with
23 the CEO, and state that plaintiffs were violating his rights in the Colosseum mark?

24 At trial, despite his denials of liability and having listed ten potential witnesses, the only
25 witness that Milanian called on his case-in-chief was Deborah Munch, who had been one of
26 plaintiffs’ witnesses. Not surprisingly, none of Ms. Munch’s testimony on Milanian’s case
27 undermined plaintiffs’ showing of their longstanding rights in the marks, and that Milanian acted
28 in bad faith and trafficked in trademarks. This lack of “evidence” and the meritless legal

arguments submitted by Milanian demonstrate that his claims of rights in the marks and defenses to plaintiffs' claims were "groundless and unreasonable," thereby warranting an award of attorneys fees under the Lanham Act. There is ample precedent in this Circuit and others for an award based on exceptional circumstances. For example, in *Cairns*, the Ninth Circuit affirmed an award of \$1.6 million in fees under the Lanham Act for defending against unreasonable dilution and false advertising claims. *See Cairns*, 292 F.3d at 1156. In *Gracie v. Gracie*, 217 F.3d 1060, 1069-71 (9th Cir. 2000), the court affirmed a fee award to a trademark holder with longstanding use under circumstances where the plaintiff should have known of the holder's superior rights. *See also Riggs Marketing, Inc. v. Mitchell*, 993 F. Supp. 1301 (D. Nev. 1998) (case "exceptional" where willfulness was demonstrated by the infringer's intent to cause confusion in the marketplace and where infringer was familiar with the owner's mark). The results in those cases make clear that Milanian's conduct makes this a case warranting an award of attorneys' fees to plaintiffs.

The Court Should Also Award Attorneys' Fees To Plaintiffs Under The Claims For Violation Of Nevada Law.

Plaintiffs note that attorneys fees under Section 35(a) of the Lanham Act are recoverable only for work performed in connection with claims filed under the Lanham Act. *See Gracie*, 217 F.3d at 1069 (citation omitted). In this case, plaintiffs' counsel focused much of their efforts on the Lanham Act trademark claims, and those claims are so intermingled with the claims for unfair competition under Nevada law, that the Court should make no (or a *de minimis*) apportionment for work on the non-Lanham Act claims.³ However, to the extent that the fees are significantly apportioned between the Lanham Act claims and unfair competition claims under Nevada law, plaintiffs should also be able to recover fees and costs incurred in prosecuting those claims under Nevada law.

³ Obviously, plaintiffs' counsel devoted some work to establishing that Milanian should have brought claims related to the 1996 documents as counterclaims in this action and that plaintiffs violated no duty, in contract or tort, to Milanian in connection with the development of the Colosseum showroom. Plaintiffs do not seek to recover the fees spent in all of those efforts, but because some of those claims are governed by the Nevada Uniform Trade Secrets Act, plaintiffs are entitled to fees for some of that work as well. *See Nev. Rev. Stat. §600A.060* (allowing reasonable attorneys' fees to the prevailing party for a claim of misappropriation that is brought in bad faith).

1 Under Nevada law, attorney fees may be awarded to the holder of a common law mark
2 where the infringer's acts are found to be "willful and calculated to trade upon the goodwill of
3 the trademark owner." See *7-11 Minit Markets, Inc. v. Southland Corp.*, 301 F. Supp. 1000, 161
4 U.S.P.Q. 562 (D. Nev 1969). As noted in plaintiffs' proposed Findings of Fact/Conclusions of
5 Law, Milanian's conduct constituted infringement and unfair competition under Nevada law.
6 For the reasons stated above with respect to the Lanham Act claims, Milanian's conduct was
7 both willful and was calculated to trade upon the goodwill of plaintiffs. Accordingly, to the
8 extent that the Court apportions fees for the work on the Lanham Act and Nevada's unfair
9 competition claims, plaintiffs should be entitled to recover fees for the state law claims as well.

10 **CONCLUSION**

11 The Court should find that this is an "exceptional case," warranting an award of attorneys
12 fees pursuant to Section 35(a) of the Lanham Act and under Nevada law. The Court should
13 permit plaintiffs to submit an application for attorneys fees and costs.

14 DATED this 14th day of February, 2003.

15 Respectfully submitted,

16 

17 **JONES VARGAS**
18 3773 Howard Hughes Parkway
19 Third Floor South
20 Las Vegas, Nevada 89109
21 (702) 862-3300

22 **PITNEY, HARDIN, KIPP & SZUCH**
23 685 Third Avenue
24 New York, New York 10017
25 Attorneys for Plaintiffs
26
27
28